

Grant Reform

LSC OIG Guide Aims To Reduce Awardee Fraud

Reduction of Fraud, Waste and Abuse A Goal of the Uniform Grant Guidance

The Legal Services Corporation is making available a new fraud guide to help its award recipients proactively detect and prevent fraud and regulatory violations. It also aligns with a major purpose of the uniform grant guidance. The guide was published by the LSC Office of Inspector General based on the results of 36 recent OIG investigations of fraud schemes and regulatory violations that cost LSC awardees more than \$3.6 million.

“The guide’s purpose is to provide suggestions for improvements to the management and fiscal oversight of [LSC grantees’] programs to help avoid program losses due to the misuse of funds in violation of LSC regulations,” OIG said. “Each chapter in the guide identifies potential issues faced by grantees and methods to detect and prevent them from affecting [their] program.” The guide, in subsequent chapters, discusses the following types of fraud: timekeeping, travel, credit card use, accounting, payroll, office supplies, client trust funds, employee benefits and fraud committed by executive directors.

LSC regulations require all case handlers employed by an LSC award recipient to record the amount of time spent on each case, court matter or supporting activity. Several OIG investigations found that grantee employees who were supposed to enter their time into the grantee’s case management system (CMS) were not keeping accurate time and attendance records. Instead, they were recording their time up to two weeks following the activity. This led to timekeeping frauds such as:

- working on cases for their private clients while charging time to the grantee;
- charging time for work on activities that are restricted under LSC guidelines;
- claiming and receiving pay for hours not worked; and
- falsifying hours worked in support of fraudulent travel reimbursements.

“Good case oversight by supervisory attorneys can deter time and attendance fraud,” the guide states. “Employee time entries can also be validated by comparing CMS case notes to client case files. If activities are recorded in the notes section of CMS, there should be some type of corresponding work product in the case file.”

LSC also requires each of its recipients to establish and maintain adequate accounting records and internal controls procedures, including developing forms and procedures for travel and mileage reimbursement. In its mileage reimbursement fraud investigations, OIG investigators identified two key control breakdowns that allowed the frauds to occur — the reimbursement forms lacked information to thoroughly document the mileage reimbursement, and the forms were not properly reviewed.

In the guide, OIG recommended that awardees submit travel reimbursement forms that report the expenses incurred, as well as the purpose and details of the trip. It also suggested that they require employees seeking travel reimbursement to complete all required entries on the travel form, including required authorizations and approvals, and for supervisors and accounting staff to thoroughly review travel vouchers for completeness.

Payroll fraud can occur at many levels. One example results when payroll personnel pay themselves multiple salary advances with no intent to repay or offset the advance. Other examples are caused when payroll personnel steal and divert funds to their personal accounts, and when payroll personnel add hours to their timecard for additional pay. The guide cites an OIG investigation in which an employee for an LSC award recipient worked in the accounting unit and paid himself about \$25,000 in salary advances within a four-week period. The employee then terminated his employment with no intention of reimbursing the grantee for the salary advances.

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To prevent payroll fraud, the guide urged recipients to limit salary advances to one outstanding advance at a time; require that employees who receive a salary advance have an adequate leave balance to offset the amount of the advance; establish a firm repayment schedule to recoup advances from future pay; compare approved payroll summaries to actual pay; make a comparison of total pay for each pay period to identify any significant changes from one pay period to another; and ensure supervisory review and validation of entries on

the payroll vendor transaction report when overtime and work hours are added to an employees pay.

Strengthening oversight over federal funds to reduce fraud, waste and abuse is one of the key platforms of the Office of Management and Budget's uniform grant guidance.

For More Information

The OIG guide is available at <http://www.oig.lsc.gov/fraud/Fraud%20Guide%20Pamphlet%20for%20LSC%20Grantees.pdf>. ❖



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